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TAGS: [ETRD](#) [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [KMCA](#) [MO](#)
SUBJECT: AMBASSADOR'S MEETING WITH PALACE ADVISOR MOHAMMED KABBAJ

REF: A. RABAT 365

[1B](#). RABAT 247
[1C](#). RABAT 253
[1D](#). RABAT 197
[1E](#). 2004 RABAT 1813

[¶1.](#) (U) Summary: Continuing a series of calls on Royal Palace Advisors, Ambassador met February 18 with Mohammed Kabbaj, one of King Mohammed's lead advisors on trade, finance and investment matters. Kabbaj and Ambassador engaged in a free-flowing discussion of the GOM's economic plans and priorities, with a focus on the government's expectations under the recently-ratified U.S.-Morocco FTA. Ambassador was accompanied by PolCouns and Econoff notetaker. End Summary.

FTA: When Do We Begin?

[¶2.](#) (SBU) Kabbaj opened the meeting by asking for the Ambassador's assessment of when the FTA might come into effect. Ambassador responded by congratulating GOM on Parliamentary passage of the FTA, and said we are now waiting for Morocco to pass legislation that will bring domestic law into compliance with its commitments under the agreement, citing specifically the area of IPR. Ambassador said we are hoping the necessary legislative changes can be made and the agreement enacted by summer. Kabbaj indicated that in Morocco it is "tradition" that once an agreement is adopted by Parliament it becomes law, and that since such international commitments are above domestic law, separate legislative action should not be necessary. Ambassador agreed that Parliamentary passage of the agreement was an important step, but said USTR may require Morocco to pass separate domestic legislation that will enshrine the provisions in law.

[¶3.](#) (U) Moving on to anticipated outcomes once the agreement is in force, Kabbaj said both governments need to work to ensure that firms in a wide range of sectors have the tools in place to exploit the opportunities presented by the FTA. He said many in the private sector are "afraid" of the FTA simply because they do not know how to do business in the U.S. market. The Moroccan business community is accustomed to "looking north" toward Europe, he said, and now needs to "learn to look west." Kabbaj suggested that trade shows, investment promotion visits and even cultural activities are important to strengthen trade and investment links between the two countries. He singled out the arrival of investment delegations from the United States as the "most important."

[¶4.](#) (SBU) Ambassador noted the success of the FTA Caravan in September of 2004 (ref E), and said we need to inform, but avoid raising unrealistic expectations. He said he has agreed to participate in a program in April that will take Moroccan business leaders to four cities in the United States to explore trade and investment opportunities. Ambassador noted that education and technical assistance are important, but that large-scale investment and job creation will come from established businesses expanding their operations and choosing Morocco as a destination for new investments. Ambassador also highlighted the importance of leveraging the U.S.-Morocco FTA by tying it to Morocco's privileged access to the European market. He said that by drawing U.S. investors' attention to Morocco's association agreement with Europe, the country will attract interest from an investor who might build a factory in Morocco not only to supply the Moroccan market, but as a point of entry into the richer and much larger market to the north.

[¶5.](#) (SBU) Ambassador opined that bringing investment trips to Morocco may not be the most effective means to generate trade and investment links, pointing out that large, well-established investors are less likely to participate than smaller companies that are often not ready to commit to a sizable investment in the short term. Ambassador cited the example of U.S. textile manufacturer Fruit of the Loom, which evaluated 14 different countries as potential sites for consolidation and expansion of its operations before choosing

Morocco. He said the company will invest almost \$100 million here, and that this decision was a pure business decision based on competitive factors like location, energy costs, transport and workforce. Kabbaj agreed that the Fruit of the Loom example was a powerful one, and encouraged Ambassador to spread the word of such successes to other potential investors. Saying people in Morocco have "heard enough speeches," Kabbaj said these kinds of success stories are irrefutable examples of how the FTA can facilitate economic growth, and will resonate with Moroccans as well as with outside investors.

Prioritizing Investment in Agriculture

16. (U) Kabbaj said a top GOM priority is to generate investment in the agricultural sector, mentioning olive oil, dates and cotton as areas in which he considers Morocco to be most competitive. Recounting trips he took to Arizona and Oklahoma some years ago, Kabbaj said he met people interested in investing in land for agricultural production, but said these potential investors were stymied due to the difficulty in finding plots of adequate size. He said the government's new land lease program opens new opportunities for investment in the agricultural sector. Kabbaj said he hopes foreign investors will bring much-needed technology and capital investments to bring new efficiency to the sector. Kabbaj also noted that while the GOM is eager to reform the agricultural sector, it will also endeavor to protect agriculture in the short term to give producers a time to adapt and increase their efficiency. Ambassador noted that California, the United States' largest agricultural producing state, went through a similar process many years ago, with a migration from small family farms to the larger, more efficient producers of today.

17. (SBU) Kabbaj also wants to push the sector toward higher value-added production, saying Morocco simply cannot compete with the United States or Europe in basic crops like wheat. He suggested a move into more competitive niche sectors, such as certain fruits and olive oil extraction. He suggested Morocco might have a comparative advantage over California in sales of certain highly-perishable agricultural products to the Eastern part of the United States due to the relatively shorter shipping distance between Morocco and the East Coast. (Comment: Kabbaj's musings may be overly optimistic; it is unclear whether sea transportation of Moroccan agriculture could compete with truck and rail shipment of ag products.)

FTA Is More Than Just Economics

18. (SBU) Kabbaj noted that the importance of the FTA's success for U.S. policy in the region goes beyond just increasing commercial ties between the two countries. Referring to the link between the U.S.-Morocco FTA and the President's plan for a Middle East Free Trade Area, Kabbaj said that if the Morocco FTA does not succeed, other countries in the region will doubt the utility of future trade agreements. In this way, he said, Morocco can serve as a "positive example" for other countries in the region.

MCA: Consultations are the Key

19. (U) Ambassador then turned the discussion to Morocco's recent selection for eligibility for Millennium Challenge Account (MCA) funding. Ambassador explained that Morocco was the only new country selected this year for MCA eligibility, that the priorities selected for funding will be those chosen by the Government of Morocco, and that the MCA compact is a contract directly between the GOM and the USG. Ambassador encouraged the GOM to work toward establishing an MCA "team," and said the Embassy looks forward to working with that team to help Morocco develop a compact. Ambassador emphasized that an exhaustive consultative process is the key to developing a successful compact, and urged the GOM to engage in such a process. Kabbaj expressed his pleasure at the GOM's selection, and agreed on the need for a thorough consultative process.

10. (SBU) Comment: While obviously very fluent in the language of business and trade, Kabbaj seemed only vaguely familiar with status of the FTA and the question of when and how it will go into effect. Neither did he seem exceptionally well-informed on the next steps for Morocco's engagement on MCA.

Biographical Information

11. (U) Mohammed Kabbaj has served in the government for more than two decades. He served as Minister of Public Works, and

of Vocational and Professional Training in the 1980's and early 90's, and as Minister of Finance and Foreign Investment 1996-1997. Kabbaj has been a member of Parliament since 1993, and is a member of the political directorate of the Constitutional Union Party. He speaks English fluently.

¶12. (SBU) Although conversation in this meeting focused almost exclusively on Morocco's priorities for future development of trade and investment links with the U.S. under the FTA, Kabbaj also occasionally assumes an advisory role in security matters. He has played a role in the Western Sahara/Algeria issue, sometimes attending meetings between Algerian president Bouteflika and King Mohammed VI.

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